Regulating activities of Foreign Institutional Investors

640. SHRI ASHOK MITRA: Will the Minister of FINANCE be pleased to state:

(a) whether in the light of the recent experience of a number of South-East Asian countries, Government proposes to reiview the existing arrangements for regulating the activities of the foreign institutional investors;

(b) whether the desirability of 'lock-in' periods for protfolio investments will be examined in that context; and

(c) whether any discussions have recently taken place with the International Monetary Fund on this issue?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) Activities of Foreign Institutional Investors are regulated by the Securities and Exchange Board of India (SEBI) under Securities and Exchange Board of India (Foreign Institutional Investors) Regulations 1995. No review is proposed at this juncture.

(b) Does not arise.

(c) No Sir.

State of Indian Economy

641. DR. D. VENKATESHWAR RAO: Will the Minister of FINANCE be pleased to state:

(a) the present state of the Indian economy;

(b) the reasons for economy getting sluggish and low growth rates; and

(c) its impact on private sector?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) to (c) Overall economic growth in terms of gross domestic product in real terms has decelerated to 5% in 1997-98 from 7.5% in 1996-97.

The slow economic growth in 1997-98 is the reslult of constraints on supply and demand factors. Supply side factors are associated primarily with the quantity, quality and cost of basic infrastructure sectors. The demand slow-down is attributable to serveral factors including sharp deceleration in exports, substantial uncertainity in domestic and international environment, tightening of money-credit policies to some extent and other cyclical factors.

Downward Trend in economic growth

642. SHRI VEDPRAKASH P. GOYAL: Will the Minister of FINANCE be pleased to state:

(a) whether the country's economic growth has shown downward trend during the last two years;

(b) if so, the reasons therefor; and

(c) keeping in view the economic sanctions being imposed against India by certain world powers in the wake of nuclear tests by India, what steps are being taken to make the economy self reliant?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) Yes.

(b) Overall economic growth in terms of Gross Domestic Product (GDP) in real terms has decelerated to 5 per cent in 1997-98 from 7.5 per cent in 1996-97. The slow economic growth in 1997-98 is the result of constraints on supply and demand factors. Supply side factors are associated primarily with the quantity, quality and cost of basic infrastructure sectors. The demand slow-down is attributable to several factors including sharp deceleration in exports, substantial uncertainity in domestic and international environment, tightening of money-credit policies to some extent and other cyclical factos.

(c) It is too early to assess the short and medium term implications of economic sanctions imposed by some industrialised countries. however, as indicated in the Economic Survey 1997-98, Government desires to continue with policies that ensure macroeconomic